

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE**

IN THE MATTER OF:

BLUE CROSS BLUE SHIELD OF TENNESSEE, INC.

No.: 08-010

ORDER ADOPTING EXAMINATION REPORT

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance ("Division") has examined certain affairs of Blue Cross Blue Shield of Tennessee, Inc. ("Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 30th day of September, 2004, the examiner-in-charge filed with the Division, on the 17th day of December, 2007, a verified, written report on the examination, and a copy of that report has been sent to Blue Cross Blue Shield of Tennessee, Inc. (The Report on Examination of Blue Cross Blue Shield of Tennessee, Inc. is attached hereto as Exhibit A). The Division received a written rebuttal to said examination report from the Company on January 16, 2008. (A copy of the Company's written rebuttal is attached hereto as Exhibit B).

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of Blue Cross Blue Shield of Tennessee, Inc. filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 26th day of November, 2007, is hereby **ADOPTED** as filed with the following **MODIFICATIONS** and **DIRECTIVES**:

1. The Report on Examination is hereby **MODIFIED** by replacing the second paragraph on page 6 under the heading "Executive Summary" with, "Of the one hundred four (104) standards tested, the Company passed one hundred two (102)

- and failed two (2). Five (5) additional areas warranted a recommendation.”
2. The Report on Examination is hereby **MODIFIED** by deleting the word “written” from the “Recommendations” section of Standard B4 on page 18.
 3. The Report on Examination is hereby **MODIFIED** by deleting the entire paragraph under the “Recommendations” section of Standard D2 on page 24 and the paragraph under Recommendation D-2 on page 75 and replacing both sections with the following language: “It is recommended that the Company comply with HIPAA provisions regarding the availability of coverage to applicants with less favorable risk characteristics and ensure that the Company’s commissions payment practices do not result in failure to offer coverage to HIPAA eligible individuals.”
 4. The Report on Examination is hereby **MODIFIED** by deleting paragraph (b) from the “Recommendations” section of Standard F2 on page 32, and deleting “Recommendation F-2 (b)” in its entirety from the “List of Recommendations” section on page 75.
 5. The Report on Examination is hereby **MODIFIED** by removing the words “policy issuance and” from the last sentence of the “Observations” section of Standard H 2 on page 39.
 6. The Report on Examination is hereby **MODIFIED** by inserting the words “and policy provisions regarding cancellation” after the word “procedures” in the “Recommendations” section of Standard H2 on page 39 and making the same change to “Recommendation H-2” on page 75.

7. The Report on Examination is hereby **MODIFIED** by changing the "Results" section of Standard J 8 to "Pass," deleting the entire "Recommendations" section from page 51 and deleting "Recommendation J-8" in its entirety from page 75.
8. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-106(a) by maintaining procedures to ensure requests from the Department are responded to within thirty (30) days.
9. The Company is **DIRECTED** to comply with Tenn. Code Ann. §§ 56-6-103 and 56-6-115 by maintaining procedures to ensure that insurance producers are properly licensed and appointed prior to negotiation or solicitation of business.
10. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-6-117 by providing written notice of termination of appointed insurance producers to the Department and to the terminated producer.
11. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-26-109(8) by amending its procedures and policy provisions to allow policies continued beyond the original term to be cancelled by the insured at any time by written notice delivered or mailed to the insurer, effective upon receipt or on such later date as may be specified in the notice.
12. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-7-2810(b) by removing from its policy forms the termination provision which states, "You act in such a disruptive manner as to prevent of adversely affect the ability of BCBST to administer the policy."

~~The adoption of this examination report shall not preclude the Department from imposing~~
sanctions against Blue Cross Blue Shield of Tennessee, Inc. for potential violations of the
Tennessee Insurance Law which may be revealed in the examination report, it being the intent of
this Order Adopting Examination Report With Modifications and Directives merely to adopt the
examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 5th day of March, 2008.

Leslie A. Newman

Leslie A. Newman, Commissioner
Department of Commerce and Insurance
State of Tennessee

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